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War. And her ultimate good depends upon her power of absorption more than upon the power of debtor countries to discharge their debt obligations.

POSSIBILITIES OF COÖPERATION

I should like to see Genoa followed by another conference of all the powers, convened by the United States, at which the question of debts and indebtedness might be treated as a world-problem rather than as a matter of isolated arrangement by debtor and creditor countries. I see no reason why neutral countries should not come in. They benefited by the War and might well be asked to bear some of its cost by underwriting some of its debts—an idea by the way which might also be applied to the liquidation of German liabilities for reparations. If there is no such conference, then I hope that the United States may be induced to come into some scheme of mutual help which may emerge from Genoa. But after all, either of these would be but a bad second best as compared with frank reassociation of the States in European affairs.

When, therefore, I am asked what the United States can do to help Europe I can only say that, in my judgment, she can do but little in isolation but that she might do a great

deal in association. The Washington Conference did something towards world recovery and Genoa may do more, but neither of them would have been necessary if there had been full understanding and coöperation between Europe and America. I should like to see the problems which have emerged directly out of the War cleared out of the way as soon as possible and I should like to see the United States taking a hand in the clearance. Then the Supreme War Council would no longer linger superfluous upon the stage and the course would be clear for an all embracing League of Nations in which the United States could take a leading part.

After all, the conditions are different now from those obtaining two years ago. In the first place, there is a disposition now on the part of the League members to recast parts of the Covenant. And, in the second place, an International Court of Justice is now part of the League organization. It is the court for which the United States so long and honorably labored at the Hague and elsewhere. It is analogous to the Supreme Court of the United States, and is indeed largely the work of Mr. Elihu Root, the eminent United States citizen. Will the United States come over and further help us?

Self-Help Before American Coöperation in the Rehabilitation of Europe

By JOHN JACOB ROGERS

Washington, D. C., Member of Congress from Massachusetts

IS America's coöperation indispensable to European rehabilitation? Before I attempt to answer this question from my own viewpoint, it may be interesting to note the attitude of

Europe. If we are to accept the utterances of European statesmen, the answer is unquestionably in the affirmative—that American coöperation *is* indispensable to European rehabilitation.

VIEW OF EUROPE

Speaking at Genoa on April 26, Lloyd George said, "I wish America were here. We want America because she exercises a peculiar authority. America could exercise an influence no other country could command." Dr. Walter Rathenau said, "Never did a nation hold the fate of the Continent in the hollow of her hand so indisputably as does the United States at this moment." The Russian delegates at Genoa said, "Financial assistance from foreign sources is absolutely vital for the economic reconstruction of Russia." The context and other similar remarks by the representatives of Russia make it clear that they were alluding to the United States.

As recently as the third of this month, during the debate at Genoa, the necessity for American participation in any rehabilitation of Europe was repeatedly mentioned. In connection with the financial report, Dr. Gomez of Portugal and other delegates emphasized the need of obtaining American support for European financial reconstruction.

LIKELIHOOD OF A RELIEF PROGRAM

Of course, the views of European ministers cannot bind America either, (1) as to the course we should pursue or, (2) even as to the real truth, whether, from the standpoint of Europe, American aid is vital. With these two points I shall deal later. First, I wish to discuss the likelihood that the United States, as a government, will embark upon an ambitious relief program. Such a program might take the form (1) of cancelling or modifying the ten billion dollar debt now owed us by Europe or (2) of advancing further credits to the several countries of Europe, in proportion to their need, for the direct purpose of assisting in their

fiscal and economic revival. Speaking as a man in politics, and seeking to deal with the question as one of fact, stripped of any other consideration, I say positively that I am convinced that America will never embark upon a general program of debt cancellation or money grants or loans to Europe.

The apparent exceptions seem to me only illustrations of the truth of my statement. Just before Christmas, Congress appropriated \$20,000,000 for the purpose of supplying corn, seed grain, and wheat to starving Russians. Last month, Congress authorized the extending for twenty-five years of the payment of principal and interest of the debt incurred by Austria for the purchase of flour, on condition that the other creditor nations should do the same. There is now¹ pending before Congress a bill authorizing the payment to Liberia of \$5,000,000, which had been placed to the credit of that country in 1918 but never actually transferred to her in whole or in part. This bill passed the House May 10 by the very close vote of 148 to 139.

These three instances evidence, I think, the extreme limit to which the American Congress—and I believe the American people—is willing to go. We are prepared to appropriate money to assist in relieving actual famine or other physical distress, and we are prepared to make good our pledged word. Thus far and no farther will we go. Just possibly, where we cannot help ourselves, we may assent to postponement of interest payments. We will not, generally speaking, forgive debts and we will not loan large sums of money for European reconstruction. Please bear in mind that I am discussing neither what Europe needs to have us do nor what, as a

¹This address was delivered at the Annual Meeting of the American Academy, May 13, 1922. Editor's note.

matter of righteousness or for our own well-being, we ought to do. I am simply giving you my estimate of a fact and not of the wisdom or morality of a course of conduct.

THE NEED OF EUROPE

We are now ready to appraise the condition of Europe as a whole today. That condition, as everyone knows, is deplorable. The three and one-half years since the Armistice have been marked by further retrogression rather than by anticipated progression. The continental countries, almost without exception, are deeper in the mire today than in 1918. The nations of Continental Europe have made small progress in balancing their budgets. Deficits have arisen by leaps and bounds. All countries have been reluctant to impose the absolutely essential taxes. Instead, their printing presses have been busy turning out more and yet more paper money of constantly diminishing value. Their armies have been kept on approximately a war footing. The reparation policy of the victors—first its uncertainty and later its devastating certainty—has been a millstone about the necks of the vanquished; and the victors have suffered almost in ratio with them.

What is needed? The cure cannot be made simple or enjoyable. The descent to an economic hell is easy; but the ascent therefrom is extraordinarily arduous.

I quote from Dr. B. M. Anderson as follows:

Taxes must be greatly increased and public expenditures greatly diminished so that current revenues will not only meet current expenditures, but will also suffice to permit some amortization of public debt. This does not mean merely that "budgets" must be balanced, since the term "budget" is often a misleading term which omits major items of expenditure. Floating debts

must be funded into long-term issues. Drastic currency reform is called for, aimed at an early restoration of actual gold redemption. . . . Fluctuating paper money is the most serious single impediment to industrial progress in Europe. A rational, economic settlement of the German indemnity question must replace the political settlement dictated to Germany in the spring of 1921. Germany should be made to pay what she can, but France, Belgium, and Great Britain have nothing to gain by a continuance of the present demoralization of Germany. . . .

The financiers and premiers of Europe understand all this. The difficulty is political. Any ministry which today tried to do all these things would be likely to find itself tomorrow "on the outside looking in." So we find the "manana" policy generally prevalent in Europe, and the return of sound fiscal methods becoming more and more difficult day by day. The prospect is not a bright one. Few keen observers breathe optimism for early rehabilitation. "It is imperative that European countries work, tax, save, restrict imports to necessities and above all reverse the mad policy of printing bank notes." But at the moment neither the will nor the way to do these things is manifest. As Secretary Hughes has lately said, Europe must face the facts. Until she does, there is no health in her or for her.

THE PART OF AMERICA

I have just recited the gravest difficulties in European economics and the straightforward, if the difficult way out. It will be noted at once that the remedies involve self-help rather than the aid of outsiders. I will go further. I will assert that even if America were willing to pour her hundreds and thousands of millions into Europe, these sums would not avail if Europe had not herself turned over a new

economic and governmental leaf. To do so would be to put a patch of new cloth upon a suit of decayed material.

It is the "old wine and new bottles" idea all over again. No creditor of a corporation will pour more money into the tottering business unless it holds some promise of being able to utilize the new capital to advantage and pull itself out of the difficulties as a result. Such a transaction is sending bad money after good and impoverishes the creditor without alleviating the straits of the corporation. Self-help, I repeat, must come first. Of course Europe would be glad of "easy money," but its state of mind cannot be evidential to us of America.

THE PRACTICAL PROGRAM

If Europe does her part; if she shows her willingness to sacrifice and struggle, what then? I believe that in time she could work her way out and regain her economic feet. But new capital would unquestionably simplify and shorten the struggle. The greatest reservoir of new capital is America.

Mr. Hughes has, on two recent occasions, thus explained the next step: "Credit does not precede, but follows confidence, and the first requirement of those who demand justice and security is to give justice and security." And again, only recently, he said, "Russia needs credit, but it is idle to expect credit unless there is a basis for credit. That basis for credit cannot be supplied from the outside. That basis for credit has got to be supplied inside of Russia." And what is true in the case of Russia is true in its degree of the rest of Europe.

Governor Harding of the Federal Reserve Board, in an address delivered last week, put the whole case into two sentences. "I have no doubt," he

said, "that the financial interests of this country recognize the great benefits which would accrue to American agriculture, commerce and industry from the economic and political stabilization of Europe, but the destinies of European nations are, after all, in their own hands. When those things are done which are necessary to win the confidence of American investors it would be found that not even the tragedies of the World War can change the immutable law that money and credit tend to flow where they can be most safely and profitably employed."

Assuming that Europe embarks upon a policy of practical and self-sacrificing self-help, and assuming that the American government will neither cancel the debts nor make large and general government loans to Europe, what is left? How can American capital be made available for Europe? There are three major possibilities:

(1) By the expenditures of American tourists in Europe. This, while well enough as far as it goes, is a relatively small matter—perhaps \$200,000,000 or less a year.

(2) By the exchange of American capital for European commodities imported into America. This involves the whole question of the protection of American industries, with which, for many reasons, I do not care to deal here. It may, perhaps, suffice to say that, in my opinion, the purchase of European goods in sufficient quantities to give Europe in exchange American capital in sums at all adequate for her needs would result in the most extreme business depression that this country has ever known; and that would be disastrous alike to America and to Europe.

(3) The third possibility of furnishing American capital to Europe is as the result of purchasing European securities by American individuals and

private corporations. Such purchases cannot be forced. Investments of this nature come as a result of confidence on the part of the investors and nothing else.

RECENT FOREIGN INVESTMENTS

Recent transactions of this character are of interest. From January 1, 1922, to April 14, 1922, there have been floated in the United States foreign loans amounting in the aggregate to at least \$350,000,000. (See appendix to this article, page 161 for details.) If the rate for the first three and one-half months of 1922 is maintained for the remainder of the year, the 1922 total will mean that about one and one-fifth billions of dollars of American capital have in one year been invested in foreign securities. It is important to notice the geographical distribution of these investments: \$109,000,000 has gone to the Netherlands and her colonies; about \$84,000,000 has gone to colonies of the British Empire, \$70,250,000, to Canada and \$13,500,000, to Australia; \$63,500,000 has been invested in Latin America. The remainder, less than \$100,000,000, has gone to the rehabilitation of Continental Europe. Of this sum, about \$70,000,000 has entered France. Roumania has received four and one-third millions, and Czechoslovakia, 14 millions. Both these last mentioned loans were negotiated within the last few weeks, and unquestionably represent recognition on the part of American bankers and investors of the fact that these two countries are making a conscientious effort to achieve a sounder fiscal régime.

It is, however, a noteworthy fact that only about one-fourth of our foreign loans is going to our European associates in the World War, who certainly need our capital most. The reason is of course clear: the investors of America are not generally satisfied

that such loans present a reasonable degree of security.

In spite of dangers and doubts as to European investments, we are loaning abroad at the rate of over a billion of dollars a year. All this vast sum goes directly to the rehabilitation of the rest of the world. In my opinion this general method is as far as America will go in giving succor to Europe. It follows, of course, that the greater the sum invested in safe European offerings of securities, the larger the usefulness of the part of America in the revivifying of Europe.

But even here, from the standpoint of America, there is a peril which must not be overlooked. The serious condition caused in the United States today by the large exportation of capital prompted the State Department, in March, to issue a warning to American bankers, and to express a desire to be more fully informed on prospective foreign loans. It is obviously true that every American dollar exported is *hors de combat* as far as its employment in America goes. A single dollar cannot work on both sides of the Atlantic.

Secretary Hoover said recently:

A billion dollars spent upon American railways will give more employment to our people, more advance to our industry, more assistance to our farmers, than twice that sum expended outside the frontiers of the United States, and there will be greater security for the investor.

Mr. George M. Reynolds, of the Continental and Commercial National Bank of Chicago, says:

Any proposal to furnish Europe with more capital should receive the closest scrutiny. If certain of the European nations are impoverished, their position will not be greatly improved by America's financing sales of goods without adequate consideration of the risks involved or thought of the extent to which capital should be exported.

If Europe is impoverished, improvement of the condition of her peoples will not be brought about by forcing America to the same condition. Too much emphasis can be placed on what America can do for Europe and not enough on what Europe can and must do for herself.

Or, as Mr. Schwab puts it, "A prosperous America can help the world, but a prostrate America cannot."

I cite these authorities to show that in the judgment of many we must not go on indefinitely, even if conditions are otherwise auspicious, in making investments in Europe. To do so will cripple our own business life and bring about domestic disaster and industrial stagnation. And, from the trans-Atlantic standpoint, Europe needs a strong America today almost as much as in 1917 and 1918. The policy of America must be to pull Europe up; not to allow ourselves to be pulled down.

IS AMERICAN COÖPERATION INDISPENSABLE?

And so I deviously come to the question which is the topic for this section.

Theoretically the answer is, "No." Europe could, if she had the determined will and courage, regain economic stability without us. Practically speaking, what shall we answer? I find it difficult to give a yes or a no. Perhaps we can safely say that America could greatly curtail the route back to a normal Europe. But, as we have seen, neither the cancellation of debts nor the adoption of the role of a Lord Bountiful seems likely to command the support of the American people. Nor is the exchange of European commodities for American dollars a safe expedient, save within rather narrow bounds. American capital will, however, within suitable limits of amount, be available hereafter, as in the past,

for attractive offerings of European securities.

To this extent only, as I read the future, will America play a direct financial part in the rehabilitation of Europe. The sooner Europe learns this the better. Waiting for a rich uncle to make a large gift is a dangerous pastime for the nephew. The salvation of Europe lies through the thorny path of self-help. Whatever else might be—even whatever else ought to be—I believe the foregoing statement is the literal fact. We shall do a kindness to Europe if, without equivocation or uncertainty, we make known our position.

APPENDIX

Annexed hereto is a list of some of the securities, enumerated in general by countries only, which have been floated in America—and in general financed by American capital—between January 1, 1922, and April 14, 1922.

FOREIGN SECURITIES FLOATED IN AMERICA, JANUARY 1, 1922, TO APRIL 14, 1922

<i>January</i>	
Dutch East Indies.	\$40,000,000
Province of Ontario, Canada.	15,000,000
Dept. of the Seine, France.	25,000,000
Province of Alberta, Canada.	4,000,000
Brazil.	3,500,000
Cuba.	5,000,000
Total for January.	\$92,500,000
<i>February</i>	
City of Melbourne, Australia.	\$2,500,000
Queensland, Australia.	11,000,000
New Brunswick, Canada.	2,000,000
Netherlands.	29,000,000
City of Montreal, Canada.	5,000,000
Uruguay.	2,300,000
Total for February.	\$51,800,000
<i>March</i>	
Brazil.	\$4,000,000
Argentina.	27,000,000
Midi R. R. of France.	2,300,000
Canadian National Railways.	11,000,000
Framerican Company.	10,000,000
Province of Manitoba, Canada.	2,250,000

March—Continued

Dutch East Indies	\$40,000,000
P. L. M. R. R. of France	30,000,000
City of Buenos Aires, Argentine	1,000,000
City of Soissons, France	6,000,000
Newfoundland	6,000,000
Canadian General Electric	5,000,000
Roumania	4,350,000
Sugar Company of Cuba	1,000,000

Total for March \$149,900,000

April 1 to 14 inclusive

Dominican Republic	\$6,700,000
Province of Alberta, Canada	3,000,000
Czechoslovak Republic	14,000,000
City of Rio de Janeiro, Brazil	13,000,000
Bell Telephone Company of Canada	2,000,000
Province of Ontario, Canada	15,000,000

Total for first half of April \$53,700,000

Grand total, January 1, 1922,
to April 14, 1922 \$347,900,000

This rate if maintained for the entire calendar year 1922 would represent total American investments in foreign securities of just under \$1,200,000,000. As a matter of fact, the actual figures

probably are and will be considerably larger. I make this statement because the figures quoted in general involve only the more important issues and only those which have come to the attention of the State Department, the Federal Reserve Board, or the larger banks of New York.

The known investments of American capital in foreign securities during the calendar year 1921 were \$628,000,000. Thus the total known foreign investments of America from January 1, 1921, to the middle of April, 1922, were just under a billion dollars. Of this, investments in Canada account for \$267,000,000; in France, \$200,000,000; in the Netherlands, \$109,000,000; in Brazil, \$102,000,000; and in the Argentine, \$91,000,000.² These five countries—only one a European ally—thus account for nearly 80 per cent of our foreign investments.

²The foregoing figures are converted into dollars at approximately the present rates of exchange. Fractions of millions are usually disregarded.

Reconstruction of International Good Will

By HUSTON THOMPSON

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ONE of the peculiar characteristics of the human mind is that while it has been taught that the world is round, it continues to think in terms of the earth with a flat surface. This is demonstrated by the fact that humanity does not appreciate that certain practices cannot go on, or certain occurrences happen in a distant and so-called isolated nation, without affecting the rest of the world. How few realize that the emotions, thoughts and actions of the people of South

Africa necessarily interweave with those of the people in our land?

Just as we have learned that all utterances are caught on sound waves and circle the earth, so any action of any group of people in any one place of the world sends forth vibrations that cross and recross and interweave with the daily existence of those of distant lands. As the stone tossed into the center of the pool causes wavelets to reach the circumference and disturb the entire pool, so the actions of any